Article

Transcending Cheap Talk in Female Entrepreneurship: Cross-Country Evidence

Suparna Chakraborty[1] [a], Ryka C. Chopra[2]

[1] University of San Francisco, USA, [2] Mission San Jose High School, USA

AIB Insights

Encouraging entrepreneurship is an effective way to empower women. While most nations have policies empowering women, are these policies effective in encouraging female entrepreneurship? Additionally, is there a gap between policy enactment and enforcement that hinders entrepreneurship? In this short article, we start a conversation by examining cross-country differences in female entrepreneurship and relating them to existing social, educational, and workplace policies. Further, we suggest a novel measure of enforcement that effectively captures the divergence between stated policies and successful reduction of discriminatory practices on the ground, providing us a tool to isolate cheap talk from effective policy intervention.

"*The world will never realize 100 per cent of its goals if 50 per cent of its people cannot realize their full potential.*" Ban Ki Moon, Former Secretary-General, United Nations.

To study diversity and inclusion in international business, examining gender disparity in entrepreneurship is of vital importance. Studies show that women-led businesses have stronger performance (Conyon & He, 2017; Dezsö & Ross, 2012), lower levels of corruption and bribery (Breen, Gillanders, McNulty, & Suzuki, 2017; Budde-Song, Bullough, Kalafatoglu, & Moore, 2019), and higher stock market returns. For example, trading firm Quantopian reports 226% higher S&P 500 returns of female-led companies over 2002-2014. Kevin O'Leary of Shark Tank fame seconds this evidence stating that out of the 40 companies that he has invested in, 95% of the women-led enterprises met their financial targets compared to 65% of the men-led enterprises.

While the benefits of female entrepreneurship are unambiguous, on-the-ground realities tell a different story. In the US, for every seven women, ten men open businesses. Developing nations have a larger gap. In an HSBC survey, over 35% of women entrepreneurs report experiencing gender bias directly. Crunchbase reports that in the US, all-female founding teams only receive 2.4% of all venture capital dollars. The European Commission 2020 Report states that "only around 2% wealth managers treat and service women as an individual client segment." The top three impediments to female entrepreneurship are lack of funding, lack of work-life balance, and a lack of aggressive representation. Summarizing the evidence, we realize that providing entrepreneurial support to women makes not only social and ethical sense, but also business and economic sense. However, intent does not often translate to practice and cheap talk dominates the rhetoric.

This article highlights existing gender empowerment policies under three major domains – political, workplace, and social – across 148 nations and examines the efficacy of these policies in encouraging female entrepreneurship.

We look at a subset of policies in each domain, covering laws intended to increase political representation of women, empower them in the workplace, and increase their social standing by removing or restricting discriminatory social practices. At the upfront, we acknowledge that there are factors beyond policy that affect women empowerment like class privileges, societal environment, and ethno-religious compositions. For example, politically empowered women often come from political families. Effective policies helps transcend such socio-economic barriers to level the playing field.

The intended outcome of this article is to gather intelligence about which domain, if any, to target at the first stage for an initial breakthrough, given resource constraints. In addition, we suggest a novel way to measure the strength of enforcement and discuss how strong enforcement is necessary for any policy to bear fruit.

Our data comes from the 2011 World Bank Global Financial Database Gallup-style survey of 150,000 individuals with even representation of males and females across 148 nations. To study policies, we create a binary index denoting existence of a particular policy in a country using data from United Nations Entity for Gender Equality and the Empowerment of Women. We declare a survey design using the database weights and country level stratification.
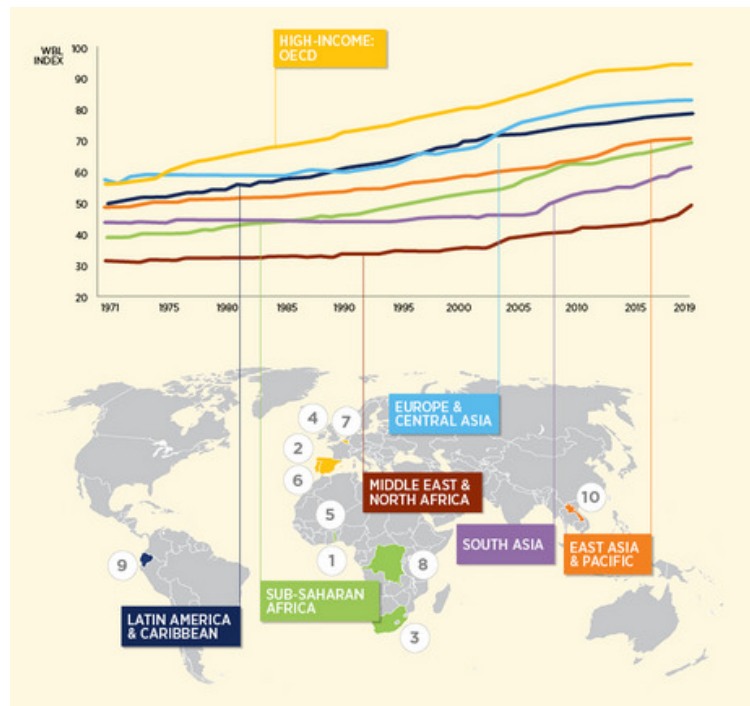
a **Corresponding author:** schakaborty2@usfca.edu

Figure 1. Women, Business, and Law Index Score over time

Source: World Bank Women, Business, and Law Report

The benchmark model is probit where the dependent binary variable indicates entrepreneurship. We capture the differential impact of policies by interacting the binary policy variables in each domain with the binary female indicator, controlling for personal and socio-economic characteristics. Robust standard errors are clustered at the country level.

This cross-country approach helps us examine country-level variations in anti-discrimination laws (Figure 1). For example, Chad, Congo, Jamaica, and Turkey have social empowerment laws to prevent violence against women, but lack workplace equality laws. Mauritania has gender empowerment laws in the political domain like quotas for female candidates in elections, but lacks laws to prevent violence against women. Focusing on domains allows us to consider a broad spectrum of laws to help prioritize categories to encourage female entrepreneurship.

POLITICAL DOMAIN

Gender empowerment laws in the political domain take two major forms – quotas for women in parliament and other legislative bodies and quotas for women to contest elections. A quota in political representation is defined as a mandatory or targeted measure put in place to promote gender balance in political positions. Normally, quotas range from 30%–40% of total seats. In our sample, 32% of the nations have some form of political quota, with 10% providing quotas for women in parliament and other legislative assemblies and 30% providing female quotas in party ticket allocations to contest elections. Within political representation, large within-country variation exists. For example, US Women, Peace, and Security Index reports that

Mississippi and Louisiana have less than 20% political representation of women (GWIPS US-Index, 2020). In general, previous research reports a positive correlation between political representation and gender empowerment. For example, with more political empowerment, bargaining power of women within their household (Ashraf, Karlan, & Yin, 2010) and educational attainment (Beaman, Duflo, Pande, & Topalova, 2010) improves. However, we do not find evidence of such correlation between political empowerment and female entrepreneurship. Surprisingly, we find that female quotas in party ticket allocations are negatively correlated with female entrepreneurial activity. On average, nations with quotas for women to fight elections have 28% less female entrepreneurs than the sample mean. The picture is starker in terms of entrepreneurial finance with less than 18% of the women entrepreneurs having access to entrepreneurial capital beyond that provided by their immediate families. We can partially explain this result by the fact that it is mainly developing nations where political parties set aside a certain percentage of their tickets for women and they mostly have patriarchal societies where women entrepreneurship beyond family business is relatively uncommon. This societal challenge is exacerbated by the fact that in these societies, males dominate core decision-making committees and women parliamentarians usually toe the party line.

WORKPLACE DOMAIN

To study how the workplace treats women, we look at three most prevalent workplace gender empowerment laws – laws that prohibit discrimination based on industries or sectors where women can work or start a business, laws that allow

men and women to work same (particularly nightly) hours, and laws that grant maternity benefits (with or without pay). There are currently eighteen nations around the world that prevent women from pursuing same opportunities as men, with four preventing women from registering businesses the same way as men. Seventy nations do not allow women to work in the same industries as men and 117 countries do not bar creditors from discriminating based on gender, creating barriers to entrepreneurial financing.[1] While some form of maternity benefits is now the norm, most nations provide unpaid maternity leave benefits with only a few mandating paid leaves. The impact of these laws is mixed. For example, Neumark and Stock (2006) finds that equal pay laws reduce employment rates of women by making it more expensive for businesses to hire women. In contrast, in our sample, workplace related gender empowerment laws have a significant impact on women entrepreneurship. On average, nations with workplace empowerment laws have 33% more female entrepreneurs as compared to nations where these laws are lacking. Breaking down the impact of each law, allowing women to work same hours, particularly same nightly hours as men, has the largest impact closely followed by laws guaranteeing maternity benefits. We also look at laws in place to prohibit creditors from discriminating on the basis of gender and marital status, for example, the Equal Credit Opportunity Act of the United States (15 U.S.C. § 1691). While anti-discrimination laws in credit opportunities have no significant effect on the number of female entrepreneurs in our sample, 52% more women entrepreneurs report easier access to credit and 38% report better financial performance of their enterprises in nations where such laws exist.

SOCIAL DOMAIN

Women's entrepreneurial success begins with their overall welfare and societal position. World Health Organization reports that one in three women worldwide face some form of abuse in their lifetime and nations have come together to opt for stricter laws to prevent violence against women as codified in the 1995 Beijing Platform for Action. With this in mind, we examine laws in place to stop violence against women, sexual harassment, and marital rape. There are significant country variations in these laws with around one-third of the nations without any laws against workplace sexual harassment (UCLA WORLD Policy Analysis Center, 2020). Even within a nation, large variations exists, especially USA is an outlier where states enjoy greater power than is usual for federal nations. For example, GWIPS reports that Mississippi and Louisiana in the US does not have laws requiring domestic abusers to relinquish firearms with such disparity mostly in states with low per capita income. In our sample, we find that laws preventing violence against women have a significant effect on female entrepreneurship. Nations with some form of laws to prevent sexual harassment in the workplace report 18% more female

entrepreneurs and 23% higher financial success of their enterprises. This is reflective of a broader social support network where a safe and secure environment encourages more women to enter the workforce or run their own business. We find that social empowerment leads to greater educational attainment of women that partially explains why we find more female entrepreneurs attaining financial success in nations with social empowerment policies.

POLICY ENFORCEMENT

While existing legal and institutional framework of a nation gives us insights into the efficacy of enforcement mechanisms, they do not specifically tell us about enforcement of women empowerment laws. Recognizing this need for strong enforcement, the United Nations enacted the Optional Protocol to the Convention on the Elimination of All Forms of Discrimination against Women (OPTCEDAW) in a landmark decision on 6 October 1999. OPTCEDAW "recognizes the competence of the Committee on the Elimination of Discrimination against Women – the body that monitors states parties' compliance with the Convention – to receive and consider complaints from individuals or groups within its jurisdiction." Surprisingly, in our sample of 148 nations, only 70% are signatories to OPTCEDAW. Ratification of OPTCEDAW has a significant impact on female entrepreneurship with 42.4% more female entrepreneurs in nations that have ratified the OPTCEDAW, after controlling for existing rules of law. Female entrepreneurs report easier access to finance (32%) and better financial performance (51%) pointing to the importance of strong enforcement mechanisms in encouraging female entrepreneurship.

POLICY SUGGESTIONS

The probit regression results of this analysis show that policies on workplace empowerment have a statistically significant effect on female entrepreneurship, closely followed by policies on social empowerment. Additionally, strong enforcement of gender empowerment policies significantly positively affects female entrepreneurship. Given these findings, we propose some specific policies that companies and nations can enact and enforce to encourage female entrepreneurship.

In the political domain, having more female representation within the core decision-making bodies and explicitly building in actionable items like easing access to entrepreneurial financing, easing credit conditions, and easing access to information on financial and other entrepreneurial resources in the political manifesto are more helpful than setting up quotas in political representation.

In the workplace domain, steps to improve direct credit accessibility of women like lowering the credit collateral requirement as suggested by the World Economic Forum and having more women in decision making roles in venture

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Table 1. Policy Initiatives

Domain	Existing Policies	Success	Challenges	Steps forward
Political	Quotas for political representation	Partial, not quite effective and sometimes prohibitory for female entrepreneurship	Not enough representation in core policy- making committees, often just a checkmark to gender equality.	Representation in core decision making committees; explicit pathways for ease of entrepreneurship built into party manifesto
Workplace	Equal work opportunities in hours and sectors, maternity benefits	Most effective, both for entrepreneurship and financial success.	Effective implementation, paid maternity leave policies costly to employers	Direct access to entrepreneurial credit, women-led venture capital firms, some form of paid maternity benefits
Social	Ensuring safety, laws against violence	Effective, promotes broader welfare like education	Implementation, existing social norms in patriarchal societies	Stronger enforcement, long term agenda for social change through education and social awareness

capital fund allocation will ease the path to entrepreneurial finance. Additionally, paid maternity benefits will improve the work-life balance.

Finally, in the social domain, widespread implementation of the Beijing Platform for Action is a natural policy initiative to create a safe social support network where women can realize their full potential without any threat to their overall wellbeing.

In light of our findings, we look at the World Economic Forum 2021 Global Gender Gap report to analyze the current state of affairs over 2011-2021. We find that East Asia and the Pacific region shows most improvement in terms of gender empowerment. Most nations report improvement in economic participation of women but mostly at entry-level jobs. Political representation of women have increased but still centers on quotas, something that we do not find effective in encouraging female entrepreneurship. This suggests the need for a policy pivot with more targeted support. Further, success of policy initiatives (Table 1) depend on strong enforcement. Our findings serve as a clarion call to international businesses and policymakers to put their money where their mouth is. Ratifying the OPTCEDAW along with stronger domestic enforcement mechanisms to improve accountability is now the first order of business to realize the dreams of the 50% – the women.

BRAC University, Bangladesh where we presented the paper. All errors are our own.

ABOUT THE AUTHORS

Suparna Chakraborty is a Professor of Economics at the University of San Francisco. She obtained a doctorate in Economics from the University of Minnesota. Her research interests lie in the study of MNEs, cross-border investments and international markets, gender, culture, and role of psychology in cross cultural management, and global financial markets. She has published her research in leading international business and economics journals including the Journal of International Business Studies.

Ryka C. Chopra is a freshman at Mission San Jose High School in Fremont, CA. A mathematician and a data scientist with a wide interest in biomedical sciences, entrepreneurship, and women in STEM, Ryka is the recipient of the 2021 Robert Wood Johnson Foundation Award for Health Advancement and winner of the first prize in Medicine/Health & Behavioral Sciences Category of the 2022 Junior Science and Humanities Symposium of the Northern California & Western Nevada Region.

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